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# **FOREIGN POLICY BULLETIN**

*An interpretation of current international events by the Research Staff of the Foreign Policy Association*

## **FOREIGN POLICY ASSOCIATION, Incorporated**

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## FOREIGN MINISTERS GRAPPLE WITH PROBLEMS LEFT IN WAKE OF WAR

THE first meeting of the Council of Foreign Ministers of the Big Five (created by the Potsdam Declaration), which opened in London on September 11, coincides with sessions of the Preparatory Commission which is endeavoring to set in motion the machinery of the United Nations organization. No detailed agenda has been announced in advance by the Council of Foreign Ministers. But its meetings are intended to serve as a series of peace conferences, culminating eventually in the conclusion of peace settlements with Germany and Japan. The decisions they adopt will determine for years to come the work that UNO must accomplish if we hope to avert another war. The citizens of the United Nations have been rightly urged by their governments to support UNO. Yet little attempt has been made to furnish the general public with the elementary information it must have about the plans of the Foreign Ministers if it is to understand and support UNO, which will then be expected to translate these plans into terms of daily international living. Secret diplomacy seems more current today than in the grimmest days of the war. No one should expect details of day-to-day negotiations. But neither can citizens in democratic countries be expected to wax enthusiastic about foreign policies presented to them like a pig in a poke.

**FUTURE OF ITALY'S COLONIES.** So far the most tangible item of news is that the Foreign Ministers will discuss the terms of peace treaties with Italy, and with satellites of the Axis in Eastern Europe and the Balkans—Finland, Hungary, Rumania and Bulgaria. These peace treaties are essential preliminaries to the admission of those countries to the United Nations. Britain and, to an even greater degree, the United States are reported to be anxious to make a final settlement with Italy which would speed that country's political and economic recovery.

But the countries which suffered most from Italy's war depredations—Albania, Greece and Yugoslavia—demand reparations or territorial adjustments, or both, and will find it difficult to understand if their interests are disregarded by the great powers. Of all the territorial problems in that area, that of Trieste is most troublesome, since Marshal Tito's demand for the Adriatic port and its hinterland not only arouses violent Italian opposition but is also viewed with anxiety by Americans and Britishers who see it as an entering wedge for Russian expansion to the Adriatic.

The status of Italy's colonies in Africa, moreover, is proving a bone of contention. Britain, seriously menaced in the early stages of the war by Axis control of Italian North and East Africa, cannot view with equanimity the unqualified return of these colonies to Italy. It might understandably claim these colonies on grounds of security, just as Russia has insisted on control of strategic zones along its borders in Europe and Asia, and the United States has declared that it needs bases in the Pacific. Had Italy been treated throughout as an enemy state, this course might prove feasible. But Italy since 1943 has had the status of "co-belligerent," and has contributed a share, small as it may seem to the United Nations, to the final ousting of the Germans from its territory. The outright seizure of its colonies by Britain might seem a poor augury for the post-war era of United Nations collaboration. True, Britain could avail itself of the provisions of the San Francisco Charter concerning non-self-governing territories, and place the Italian colonies, once it had acquired them, under the Trusteeship Council of the United Nations. To this course, however, objections have been raised both in London and Washington—notably by those who fear that Russia, which is a member of the Trusteeship Council, would thus gain

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the right to intervene in the affairs of North Africa.

**ELECTION SNAGS IN BALKANS.** Russia, in turn, is said to object to Anglo-American intervention in former enemy countries where it has been asserting its influence, especially Rumania and Bulgaria. The United States and Britain, in accordance with the Big Three pledges of Yalta and Potsdam concerning the holding of democratic elections in Europe, have protested that the Fatherland Front (composed of Communists, Social Democrats, members of the Zveno party and one faction of Agrarians) which rules Bulgaria has used non-democratic methods, and have insisted that elections should be postponed until all anti-Fascist political parties have an opportunity to vote without fear of persecution for their opinions. They have also been critical of the Russian-supported government of Premier Groza in Rumania, who heads the National Democratic Front, and have stated that King Michael II has appealed to the Big Three to aid in the establishment of a democratic régime. This development has been excoriated by the Moscow press, and Groza received an enthusiastic reception on his visit to Russia last week. Having declined to recognize the political régimes of Rumania and Bulgaria, the United States and Britain can hardly negotiate peace settlements with these countries until the internal conditions of which they complain have been altered to their satisfaction. But if they balk at concluding peace treaties with Germany's satellites, Russia can counter by opposing a settlement with Italy. And meanwhile the Western powers have not been any more prompt than Russia

in urging unfettered elections in countries where they exercise influence, having apparently reached the conclusion that conditions are not yet favorable for elections in either Italy or Greece.

The fundamental difficulty raised by these and other questions that may be placed on the agenda of the Council of Foreign Ministers is that termination of military hostilities has not brought to Europe a feeling of security or hope of economic stability. Despite the stern program imposed on Germany at Potsdam, it would be naïve for Europeans who have suffered most from German aggression to assume that the menace of German militarism has really been eradicated when they see the restiveness of American troops, who are anxious to go home and feel little desire to maintain the long-time occupation that would be necessary to assure Germany's fulfillment of the Potsdam terms. Under the circumstances, it is not surprising that Russia continues to work out its own security measures while at the same time cooperating with the Western nations in the establishment of UNO. Yet the measures undertaken by Russia in turn add to the prevailing feeling of insecurity. And as a counterbalance to Russia, General de Gaulle has proposed to Britain the creation of a Western European bloc, which is opposed by Moscow. This vicious circle can be broken only if the Big Five succeed in rising above the narrow concepts of their respective national interests, and apply in their daily decisions the solemn pledges they exchanged at San Francisco.

VERA MICHELES DEAN

## U.S. AND BRITAIN WEIGH PLANS FOR MUTUAL ECONOMIC AID

In the two-month period since the Labor party came to power in Britain the main lines of its domestic policy have been stated, and Foreign Secretary Ernest Bevin has emphasized the continuity of Britain's foreign policy. For the time being the Labor Cabinet has received much support outside Labor's ranks. This is largely due to the fact that Britain has had to face up so quickly to the reconversion problems ushered in by the unexpectedly early end of the war and the stoppage of lend-lease supplies from the United States. Once Parliament reconvenes on October 9, the Conservative opposition may present a stiff rejoinder to Labor's plans for implementing the program set forth in the King's speech of August 15. Virtually all groups in Britain, however, agree in their analysis of the country's fundamental economic problems. For this reason Ambassador Viscount Halifax and Lord Keynes will press the British case for economic assistance from the United States with as much vigor as might be expected from any outright Labor representatives in their conversations with American officials which opened in Wash-

ton on September 10.

**U.S.—BRITISH BARGAINING.** It is still too early to predict what final arrangement may be made for assisting Britain in the immediate future. Leaders in both countries, however, admit Britain's precarious economic position and realize that its future will be shaped by the action of the United States. It is all the more surprising, therefore, that the crisis over ending lend-lease shipments was allowed to arise in such an acute form. Washington observers do not believe the termination of lend-lease was designed to embarrass the Labor government, which is determined to carry out a socialist program at home that is anathema to many Americans. Perhaps it was hoped by this step to conciliate certain American groups known for their anti-British attitude generally. It may be that President Truman, by his summary action on the lend-lease arrangements, wished to arouse Congress to a real appreciation of our responsibilities with respect to the economic problems of Britain as well as our other Allies. In any case, it must be hoped that Congress will give prompt con-

sideration to President Truman's recommendation of September 6 for the extension of lending facilities by increasing appropriations for the Export-Import Bank and the abolition of the Johnson Act which prohibits loans to Allied Governments of World War I which defaulted on their debts. Or, if further loans appear inadvisable in view of the excessive debt incurred by Britain during the war, then Congress would be well advised to consider an allocation based on the formula used in the case of the \$500,000,000 sent to China in 1942.

Both the United States and Britain hold trump cards in the present negotiations. The United States, eager to enter more fully into trading areas heretofore restricted largely to Britain, can press for reduction of British imperial preferences. Britain can, with equal reason, create an even tighter trading bloc. For expansion of foreign trade has become essential to Britain's future world position, and hope for domestic reconstruction in Britain—whether along socialist lines proposed by the Labor party or otherwise—depends almost entirely on the country's ability to recoup its export markets. Perhaps the most hopeful aspect of this bargaining process, which would have had to take place sooner or later, is that both nations face common problems and seek common goals. If these are kept uppermost in the minds of negotiators now engaged in ironing out British-American differences, a lend-lease settlement may yet be reached which, in keeping with the language of Article VII of the master lend-lease agreements, would look toward the freeing of international trade and the promotion of world prosperity.

**COMMON AIMS AND COMMON TASKS.** Not only do both countries hope for a period of expanding trade, but their domestic aims are in many ways similar, especially their desire to maintain full employment. Britain faces no immediate unemployment problem in the period of reconversion. Rather it hopes to maintain most wartime price controls and production regulations in an effort to shift production promptly to those enterprises best calculated to aid in reviving the export trade. In this country, on the other hand, there is every likelihood that substantial unemployment will develop during the reconversion period. Yet the eventual goal of full employment that is common to both nations was never more clearly apparent than in the program presented to Congress by President Truman in his speech of September 6. Full recognition that our goals are essentially identical should tend to remove the hesi-

tancy with which many groups in the United States view Labor's proposals for British reconstruction.

President Truman's recommendations strongly endorsing the Murray Full Employment Bill may be compared to Laborite support for the policies outlined in the White Paper on Employment during the wartime coalition régime. Legislative measures based on that report, which the Labor Ministers will doubtless introduce in Parliament, may be even more concrete and far-reaching than originally expected. British concern about housing, which played such an important part in the recent election, is also paralleled by President Truman's suggestion that broad and comprehensive legislation be enacted to help private enterprise build between 10,000,000 and 15,000,000 houses in the next ten years. Similar plans may also be noted in such other fields as support for agriculture, liberal provisions for veterans' aid, extended unemployment compensation, and increased social security benefits. Plans for educational reform, hospitalization, and health benefits are also comparable.

That these common goals are to be sought on the basis of different economic theories need not prevent the kind of cooperation in economic affairs which the two nations have achieved in prosecuting the war. Nationalization of the central banking services in England and of the coal industry—proposed at the opening of Parliament on August 15—will appear as radical innovations to many Americans. Yet when it is realized that the mining industry has long been under virtual government direction, due either to conditions of depression or necessities of war; and that the Bank of England worked in the closest cooperation with the British Treasury, full nationalization of such industries or services will not seem revolutionary. Whether the process of nationalization is used, or greater dependence is placed on the automatic functioning of free enterprise, it is imperative both for political and economic reasons that Britain and the United States achieve as nearly as possible conditions of full employment. If through failure to coordinate our policies along this line the two nations drift toward economic autarchy, it will not only prove far more difficult for both to achieve a high level of prosperity, but the world at large will suffer again from economic tensions which, once developed in heavily industrialized nations, are bound to spread to other countries.

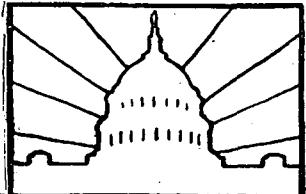
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(The first of two articles.)

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# Washington News Letter



## WILL STATE DEPARTMENT CHANGES STIFFEN POLICY ON JAPAN?

The State Department is reexamining Allied policy toward Japan to determine whether the best interests of the United Nations and the hope for lasting peace require sterner supervision of Japanese officials and affairs than the United States has exercised in the first days of the occupation. Policy today is in a state of flux. The leaders and people of Japan are disturbing the State Department by their apparent lack of repentance for embarking on the costly and ruinous adventure of war and by signs that the nation whose Emperor surrendered "unconditionally" is spiritually undefeated. The problem of policy is complicated by the fact that the Allies took a hopeful and lenient attitude in the first stages of dealing with Japan and that certain responsible sources of Japanese opinion occasionally reveal an understanding of the country's true position. Whatever the decision on policy, the United States intends to take the leadership in setting the course for treatment of Japan. Secretary of State Byrnes has no intention of raising the Japanese matter at the meeting of the Allied Council of Foreign Ministers that opened in London on September 11.

**STATE DEPARTMENT CHANGES.** The possibility of a change in policy toward Japan is heightened by the withdrawal from the State Department of two men whose influence contributed strongly to the decision of President Truman to invite an offer of peace from Japan in the Potsdam Declaration of July 26, and subsequently to accept in modified form the conditional peace offer of August 10. They are Joseph C. Grew, who resigned as Under Secretary of State on August 15, and Eugene Dooman, who retired on September 1 from the Foreign Service and resigned as adviser in the State Department on Japanese affairs. Both men, during their long tours in the Department and in Japan before the war, steadfastly believed that leniency and patience would lead to a basis of understanding between the two countries. The attack on Pearl Harbor did not wholly dissuade them.

The retirement of Mr. Grew and Mr. Dooman did not result directly from the puzzling consequences of the lenient policy the United Nations have followed in victory over Japan. Their departure, however, gives new authority to a group of men in the Department who have less faith in our recent enemy. Dean Acheson, the new Under Secretary, is an advocate of sternness toward Japan. John Carter Vincent, chief of the Division of Chinese Affairs,

who is now exerting a greater influence than formerly in matters relating to Japan, has been more inclined than Mr. Grew or Mr. Dooman to look for support of the United States among other than the conservative groups in Asia.

The instrument of surrender signed on the *U.S.S. Missouri* on September 1 paves the way for a sterner policy should the decision to invoke it be reached. "The authority of the Emperor and the Japanese Government to rule the state," says one article of the surrender, "shall be subject to the Supreme Commander for the Allied Powers [General Douglas MacArthur], who will take such steps as he deems proper to effectuate these terms of surrender." The government of Prince Higashi-Kuni, formed on August 16, has the bearing now of a régime that regards itself as a partner of the conquering Allies. Foreign Minister Mamoru Shigemitsu said on September 7 that "the Allies will present all necessary requests through the Japanese government" and that there would be no military government for Japan.

This was confirmed by General MacArthur in a statement of September 9, although the Supreme Commander used the word, "orders," instead of "requests." In stating the desire of the United Nations to create a peaceful, democratic, non-militaristic Japan, he said that the occupation forces would be called on for action only if Japan did not comply satisfactorily and that "the existing Japanese economy will be controlled only to the extent necessary to achieve the objectives of the United Nations."

**PROBLEMS OF U.S. MILITARY POLICY.** General MacArthur's order of September 10 directing the abolition of the Japanese Imperial General Headquarters is an essential routine move, which does not of itself indicate the character of the course to be followed in the future. Adoption of a stern policy of control toward Japan depends in some degree on the decisions reached in this country respecting United States military policy. Several hundred thousand occupying troops would be required for the successful realization of such a policy, which could not be implemented should the size of the army be reduced precipitously. While it is perhaps irksome to be assigned for a long period to occupation duty in those distant islands, occupying soldiers can find solace in the thought that their presence reduces the likelihood of a new outbreak by Japan, whose belligerent fury cost this country many lives during the past four years.

BLAIR BOLLES